

Message Text

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SUBJ: ASPROPYRGOS REFINERY

REF STATE 018947

1. EMBASSY REPS CALLED ON FIRST NATIONAL CITY BANK (FNCB) AND ASPROPYRGOS MANAGING DIRECTOR TAVOULARIS FEBRUARY 7 AND 10 RESPECTIVELY TO REVIEW STATUS ASPROPYRGOS REFINERY EXPANSION AND ETHYLENE PROJECT. HIGHLIGHTS THESE DISCUSSIONS ARE AS FOLLOWS.

2. FNCB PIRAEUS BRANCH MANAGER CHARLES DE BEVOISE AND ASSISTANT MANAGER JOHN STERGIOPOULOS STATED THEY HAVE ENCOUNTERED NO INDICATIONS THAT ASPROPYRGOS' MANAGEMENT IS SWITCHING TO ANOTHER SOURCE FOR FINANCING OF PROJECT. ALTHOUGH THEY COULD NOT PRECLUDE FRENCH INTEREST AND DIRECT APPROACHES TO TAVOULARIS CONSIDERING THE FRENCH INVOLVEMENT IN VARDINOYIANNIS' MOTOR OIL HELLAS REFINERY, THE BANKERS NEVERTHELESS FELT THAT WITH FNCB'S CLOSE TIES WITH NIARCHOS GROUP THEY WOULD BE FIRST TO BE INFORMED OF A CONTEMPLATED CHANGE. THEY ALSO ADDED THAT SHOULD EUROPEAN SOURCING BE SELECTED BY ASPROPYRGOS, FNCB WOULD BE GIVEN CHANCE ARRANGE FINANCING PACKAGE THROUGH ITS PROJECT FINANCE DIVISION IN LONDON.

3. IN DISCUSSING PROJECT ITSELF, FNCB OFFICIALS FELT THEY SENSED A SLACKENING OF ASPROPYRGOS MANAGEMENT'S ENERGY IN PURSUING PROJECT THROUGH GOG BUREAUCRACY. (SEE BELOW: TAVOULARIS SPEAKS LIMITED OFFICIAL USE

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TO THIS). ONE FACTOR WHICH COULD ATTENUATE GOG CONSIDERATION EVEN

FURTHER IS POSSIBLE NECESSITY OF RENEGOTIATING GOG-NIARCHOS INVESTMENT CONTRACT TO ACCOUNT FOR EXPANSION OF REFINERY BEYOND THAT FORESEEN IN ORIGINAL \$200 MILLION AGREEMENT. STERGIOPOULOS ALSO NOTED POSSIBLE WANING OF INTEREST BY HOECHST, DUE TO THE ECONOMIC SITUATION, HE THOUGHT. OFCOURSE, HE NOTED, WITHOUT HOECHST, THE ENTIRE PROJECT MIGHT FOLD, AS THE ETHYLENE PLANT WAS PREDICATED ON THE GERMAN FIRMS' DOWNSTREAM PETROCHEMICAL REQUIREMENTS. AS THEY RIGHTLY NOTED EVERY DELAY WILL HAVE IMPACT ON PROJECT ECONOMICS WHICH COULD ACCRUE FROM INCREASED COST OF INPUTS.

4. STERGIOPOULOS SAID FNCB NOW IN PROCESS OF GATHERING PROJECT DATA BEFORE PREPARING FINANCIAL PACKAGE. THOUGH PREFEASIBILITY WORK FINISHED, HE SAID LUMMUS HAD YET TO TURN IN MAIN FEASIBILITY STUDY ON ETHYLENE PLANT. FINANCIAL PLAN CANNOT BE COMPLETED, HE SAID, UNTIL LUMMUS STUDY SUBMITTED.

5. TAVOULARIS. CONTRARY TO REPORT OF FNCB OFFICIALS, TAVOULARIS STATED HIS DESIRE TO MOVE QUICKLY ON THE PROJECT IS UNDIMINISHED. HE RECOGNIZED, HOWEVER, THAT GOG WAS OVER RECENT WEEKS GRIPPED WITH NEED TO CLEANSE SYSTEM OF JUNTA MANIFESTATIONS. WITH RELEVANCE TO ASPROPYRGOS PROJECT, TAVOULARIS SAID, GOG'S PREOCCUPATION HAS TAKEN TWO FORMS: (1) EXPRESSED INTENTION TO INVESTIGATE ALL JUNTA PERIOD INVESTMENT AGREEMENTS TO ROOT OUT CORRUPT GOVERNMENT OFFICIALS; (2) GOG'S INABILITY DUE CONCENTRATION ON DEJUNTAFICATION TO MOVE ON TO NEW PROJECTS, INCLUDING REFINERY EXPANSION. TAVOURARIS REMAINED CONFIDENT, HOWEVER, THAT WITHIN SIX MONTHS GOG WOULD BE READY TO APPROVE THE EXPANSION. HE INTENDS TO CONTINUE STUDY PROCESS TO BE READY TO PROCEED QUICKLY WHEN APPROVAL FINALLY GRANTED.

6. WHEN QUERIED ON FINANCING AND INCREASED COST, TAVOULARIS RATHER GRANDLY SAID A SIX-MONTH PERIOD FROM GOG APPROVAL TO IMPLEMENTATION OF PROJECT WOULD AFFORD ADEQUATE TIME TO ARRANGE FINANCING. AT NO TIME DID HE AVER TO ALTERNATE MODES OF FINANCING. THE ONLY REFERENCE HE MADE TO FRENCH COOPERATION WAS IN CONTEXT ASPROPYRGOS' PROPOSED OIL EXPLORATION JOINT VENTURE WITH TOTAL. HE DID MENTION FRENCH TECHNIP REP WOULD VISIT ATHENS NEXT WEEK TO TALK WITH PAST CLIENT MOTOR OIL HELLAS (WE WONDER IF TECHNIP WILL ALSO TALK TO TAVOULARIS).

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7. TAVOULARIS EXPRESSED SOME CONCERN (THOUGH LESS THAN FNCB'S) WITH HOECHST'S APPARENT RECENT SLACKENING OF INTEREST. HE ATTRIBUTES IT TO GERMAN FIRM'S CONCERN OVER GREEK INVESTMENT CLIMATE AND RESENTMENT OVER GOG CANCELLATION OF KRUPP AWARD FOR EXCAVATING EQUIPMENT FOR LIGNITE MINING PROJECT. TAVOULARIS DOES NOT SEEM TO FEEL, HOWEVER, THAT DANGER OF HOECHST'S WITHDRAWAL FROM PROJECT IS IMMINENT OR REAL AT THIS TIME.

8 COMMENT: CONSIDERING FACT THAT FNCB EXTREMELY INVOLVED IN ALL NIARCHOS GREEK VENTURES, EVEN TO POINT OF MAINTAINING OFFICE SPACE WITHIN REFINERY, WE ARE INCLINED TO CONCUR WITH FNCB'S SPECULATION THAT THEY WOULD KNOW OF ANY CHANGES IN ASPROPYRGOS EXPANSION FINANCING. FNCB'S OFFICIALS THEMSELVES OFFERED POSSIBLE EXPLANATION TO "FRENCH RUMOR." THEIR PROJECT OFFICER IN LONDON BRANCH CONCERNED WITH THIS PROJECT MAY HAVE CONDUCTED INITIAL SURVEY OF EUROPEAN AND AMERICAN EQUIPMENT WITH VARYING MODES OF EXPORT FINANCING. THIS WOULD HAVE INCLUDED CONTACTS WITH FRENCH SOURCES, AND COULD HAVE FOUND ITS WAY TO U.S. AS RUMORED SHIFT IN FINANCING. (THESE COMMENTS BY FNCB MAKE IT CLEAR THEY FEEL THEIR FIRST PRIORITY IS TO OBTAIN CHEAPEST AND BEST PROCUREMENT FOR ASPROPYRGOS AND NOT SIMPLY SOURCE FROM U.S) SO WHILE IT SEEMS PROBABLE TO US TAVOULARIS HAS NOT SERIOUSLY LOOKED AT FINANCING OUTSIDE FNCB, WE WOULD CONSIDER IT UNREALISTIC TO SUPPOSE THAT TAVOULARIS HAS NOT ATLEAST INVESTIGATED POSSIBILITY OF USING OTHER ENGINEERING FIRMS IN DESIGN AND FOLLOW ON STAGES OF PROJECT. HE SAID, HOWEVER, HE IS VERY SATISFIED WITH PROGRESS OF KELLOGG/LUMMUS STUDIES, SO WE MAY BE CREATING A STRAW MAN. REAL DANGER AT THIS POINT WE FEEL, IS POSSIBILITY OF HOECHST'S WITHDRAWAL, THUS, AS FNCB NOTED, EFFECTIVELY CANCELLING DOWNSTREAM EXCUSE FOR VOJECT. WE HAVE NO INDEPENDET CONFIRMATION OF SUCH A DEVELOPMENT, BUT WILL INVESTIGATE FURTHER.

9. IN VIEW OF FOREGOING, WE DO NOT BELIEVE ATHENS VISIT BY U.S. MANAGEMENT CALLED FOR AT THIS TIME. NOR ARE SPECIAL MEPD INITIATIVES NECESSARY IN ATHENS. IT WOULD BE INTERSTING, IF YOU COULD GENERATEENQUIRY, TO KNOW VIEWS OF FNCB LONDON PROJECT OFFICER ON IDEAS AND SPECULATIONS CONTAINED THIS TEL.
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